



United States
Department of
Agriculture

Office of the
Chief Financial
Officer

National
Finance
Center

P.O. Box 60000
New Orleans
Louisiana 70160

Date: September 8, 2006

In reply refer to:

Subject: Statement of Assurance

To: Customers and Stakeholders

The management of the National Finance Center (NFC), a component organization of the Department of Agriculture's Office of the Chief Financial Officer, conducted an assessment of the effectiveness of internal controls over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Internal Controls, Appendix A: Internal Control over Financial Reporting. An aspect of this assessment involved the assessed internal controls over the processing of payroll on behalf of other Federal Government agencies. Based on the results of this assessment, NFC can provide reasonable assurance that its internal controls over financial reporting as of June 30, 2006, were operating effectively and that no material weaknesses in the design or operation of the internal controls over financial reporting were found.

While we can state with reasonable assurance that our internal controls over financial reporting were properly designed and operating effectively as of June 30, 2006, we did identify several reportable conditions that we are addressing. The most noteworthy of these dealt with the fact that not all detective control measures relating to the use of approved, granted access provided to internal operations personnel were being executed throughout the entire assessment period (October 1, 2005, through June 30, 2006). We are taking steps to ensure that these control measures are now being consistently executed and we have retroactively assessed the use of the required access and found no misuse of approved, granted access during the period.

A handwritten signature in black ink, reading "Cyrus G. Lohfink". The signature is written in a cursive, flowing style.

CYRUS G. LOHFINK
Director